

SENATE BILL REPORT

SHB 2301

As Reported By Senate Committee On:
Judiciary, February 26, 2002

Title: An act relating to authorizing electronic notice and other communications under the Washington business corporation act.

Brief Description: Authorizing electronic notice and other communications under the Washington business corporation act.

Sponsors: House Committee on Judiciary (originally sponsored by Representatives Lantz, Esser, Anderson, Benson, Upthegrove and Kagi).

Brief History:

Committee Activity: Judiciary: 2/21/02, 2/26/02 [DP].

SENATE COMMITTEE ON JUDICIARY

Majority Report: Do pass.

Signed by Senators Kline, Chair; Kastama, Vice Chair; Costa, Hargrove, Johnson, Long, McCaslin and Zarelli.

Staff: Lisa Ellis (786-7421)

Background: The Washington Business Corporations Act (WBCA) provides requirements for the organization and operation of corporations and the relationship between shareholders, directors and officers of the corporation.

The WBCA requires that a number of documents of the corporation be filed with the Secretary of State. There are many provisions of the WBCA that require notices, consents or other communications to be given between the corporation, shareholders, and directors.

The Washington State Bar Association recommends the authorization of electronic filing with the Secretary of State, changes involving registered offices and agents, and clarifications on shareholders' election of directors.

Summary of Bill: The WBCA is amended to authorize filings, notices, consents and other forms of communication between corporations, shareholders and directors to be made by electronic transmission. The Secretary of State is authorized to adopt rules to facilitate the electronic filing of corporate documents. The Secretary of State may deliver a record of the filing, or a record of refusal to file, by electronic transmission if the corporation designates an electronic transmission address, location, or system and the Secretary of State elects to provide the record by electronic transmission.

Changes are made to provisions relating to oral, tangible medium and electronic forms of notice. Electronic transmission of notice to a shareholder or director is permissible if the

shareholder or director has consented; designated the address, location, or system where electronic transmission may be received; and the notice otherwise complies with requirements under the WBCA. Methods of providing electronic transmission of notice and revoking consent to receive notice by electronic transmission are established.

Provisions for effective time and date of notice for both tangible medium and electronic forms are provided.

References throughout the WBCA to "document" are replaced with references to "record." The words "written" and "signed" as relating to consents, demands, and notices are replaced with requirements that the consents, demands, and notices be in the form of a "record" that is "executed." A domestic or foreign limited liability company whose business office is identical with the corporation's registered office is included in the type of entity that may be a registered agent of a corporation.

Definitions and changes to existing definitions are provided for "conspicuous," "electronic transmission," "entity," "execute," "record," "deliver," "tangible medium," "writing," and "written."

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: Business organizations will be allowed to take advantage of technological advances in order to operate more efficiently. This bill reflects practitioner's understanding of law by clarifying that directors can be elected by written consent in lieu of a meeting.

Testimony Against: None.

Testified: PRO: Representative Patricia Lantz, prime sponsor; Daren Nitz, Washington State Bar Association; Mike Ricchio, Secretary of State's Office.